

**To: Audit and Governance Committee**

**Date: 24November 2020**

**Report of: Head of Financial Services**

**Title of Report: Statement of Accounts for the Year Ending 31st March 2020**

# Summary and Recommendations

**Purpose of report**: To submit the Council’s Statement of Accounts and Letter of Representation for approval and authorisation.

**Key Decision No**

**Cabinet lead member Councillor Ed Turner**

**Recommendation: That the Committee:**

**1. Approve the audited 2019/20 Statement of Accounts as certified by the Head of Financial Services and authorise the Chair of the Committee to sign the Accounts**

**2. Approve the Letter of Representation to enable the opinion to be issued (paragraph 24)**

# Appendices

**Appendix 1 –Statement of Accounts 2019/20**

**Appendix 2 – Letter of Representation**

# Background

1. The Statement of Accounts for 2019/20 (the Statements) are attached at Appendix A. The Accounts and Audit Regulations 2015 which revoke and replace the 2011 Regulations invoke earlier dates for the preparation, approval and publication of the Statements. Accounts normally now have to be completed and published in draft form by 31st May and audited, approved and published by 31st July. The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 amended these dates for the 2019/20 Statements only to 31st August 2020 and 30th November 2020 respectively.
2. On the 11th June 2020 the draft Statements were certified by the ‘Responsible Officer’, the Head of Financial Services as a true and fair view of the financial position of the authority at the 31st March 2020. The accounts were duly authorised to be released for audit.
3. Following audit by Ernst and Young the Statements have been re-certified by the Head of Financial Services and re-presented to this Audit and Governance Committee for final approval, prior to the deadline in accordance with the regulations.
4. The 2019/20 audit is complete with some specific matters outstanding as reported in the Audit Results Report elsewhere on this agenda but it is anticipated that all matters will be complete by the date of the Audit Committee so that the accounts can be signed off.
5. The auditors made some recommended changes, in line with the Code of Practice, which have been incorporated into the final version of the Statements and have also issued a draft report on the outcome of the audit. This report appears elsewhere on the meeting agenda.
6. The auditors are expected to issue an unqualified opinion on the financial statements.

# Uncorrected Misstatements

1. There are uncorrected misstatements in the accounts relating to the pension fund calculations. These are classified as “judgemental” differences. Judgemental differences are where the auditors have undertaken an estimate and their estimate is different to the estimates included in the accounts, in this case the estimates provided by the Pension Fund Actuaries in their actuarial valuation report. These amounts are:

* IAS19 Liability – McCloud and Goodwin assessment where the auditors calculate a potential increase in liability of £0.56 million;
* IAS19 Assets – valuation of the assets where the value of the assets has been assessed as being potentially £1.467 million higher.

1. These amounts are not material, both individually and in aggregate and are included as a representation from management in the Letter of Representation (included at Appendix 2).

# Changes to the Statements

1. During the audit the external auditors identified a number of changes to the accounts which the Council has made. These changes do not have any material impact on the Council’s overall financial position as they relate to disclosure notes, Balance Sheet items or items which are reversed out of the Comprehensive Income and Expenditure Statement (CIES) under normal accounting practice.
2. The Statements attached at Appendix 1 include the adjustments that have been agreed to be made as a consequence of the audit. The changes included are:

* Accrual of a grant amounting to £5.9m which is shown in debtors and capital grants received in advance;
* Reclassification of cash and cash equivalents amounting to £5m to short term investments; and
* Added a note on “Going Concern” as this is a requirement of the auditors.

There were also some minor presentational and disclosure amendments which have been corrected and are below the reporting thresholds.

1. A verbal update will be given at Audit and Governance Committee if there are any subsequent changes that need to be made.

# The Statements

1. The Statement of Accounts consists of the following:

* The Statement of Responsibilities, setting out the general responsibilities of both the City Council, and the Section 151 Officer (The Head of Financial Services). The Head of Financial Services has to sign a statement that the Accounts present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for that year then ended (page 6 and page 26).
* The Core Financial Statements (pages 21 to 27) and supplementary statements (pages 87 to 96) and group accounts (pages 97 to 124) incorporating:

1. A Movement in Reserves Statement (MIRS) - a statement used to adjust International Financial Reporting Standard accounting practice to Local Government proper practice to ensure the accounting changes do not impact on Council Tax and create any additional burden to the tax payer.
2. The Comprehensive Income and Expenditure Statement - a statement which incorporates all revenue income and expenditure relating to the year.
3. Expenditure and Funding Analysis - a statement that supports and provides more information on the Comprehensive Income and Expenditure Statement.
4. A Balance Sheet – a statement which records all the assets and liabilities at the Balance Sheet date of 31 March.
5. A Cashflow Statement - a statement that shows the inflows and outflows of cash during the year reconciled to the year end cash position.
6. The Housing Revenue Account - a statement which brings together all transactions during the year in relation to the management and maintenance of the Council’s 7,669 dwelling stock.
7. Collection Fund - a statement which brings together all transactions during the year relating to the collection of Business Rates and Council Tax income together with payments and receipts from Government and payments made to the preceptors; the County Council, Police and Crime Commissioner (Thames Valley) and Parish Councils.
8. Group Accounts - statements which reflect the Council’s 50% interest with Grosvenor Developments Limited in a joint venture for the construction of dwellings at Barton, a 50% interest with Nuffield College in a joint venture for the regeneration of the West End area of Oxford, (OxWED) and the Council’s wholly owned companies, the Housing Company Group, Oxford City Housing Ltd (OCHL), Oxford Direct Services Limited (ODSL) and Oxford Direct Services Trading Limited (ODSTL). The Council’s share of the assets and liabilities of these entities are required to be incorporated into the Council’s accounts.

* The Statement of Accounting Policies, setting out the detailed rules under which we account for assets, liabilities, income and expenditure (pages 127 to 144).

# Summary of Information Found Within the Statements

1. Some Key information can be gained from the Statements:

## Comprehensive Income and Expenditure Statement (CI&E) (page 23)

1. There is a surplus of £83.0m compared to a deficit of £58.0m in the previous year. However surplus is based on standard accounting practice and doesn’t reflect the statutory basis under which the Council has to manage its finances. The actual position after applying the statutory adjustments is summarised on the Movement in Reserves Statement (page 25).

## Movement in Reserves Statement (MiRS) (page 25)

1. The MiRS shows the movement between the accounting position shown in the CI&E and the overall balances available to the Council to meet future capital and revenue expenditure. The adjustments are shown in more detail in note 8 (pages 39 to 43) which are made that result in the allocation of the surplus between usable and unusable reserves.
2. The overall balances available to the Council to meet future capital and revenue expenditure are shown below:



1. More detail regarding the earmarked reserves can be seen in note 9 on pages 44 to 46.

## The Balance Sheet (page 26)

1. The Balance Sheet shows an increase in the net worth of the Council which can be summarised as below:



1. The main changes relate to the amounts owed by and owed to the Council, arising predominantly from a reduction in the pension fund liabilities. This increase is an actuarial estimate and is not available for use by the Council but could affect future pension contributions. Further details of the pensions information held can be found in notes 27d and 40 on pages 69 and 82 to 85 respectively.
2. The net worth is held in usable and unusable reserves:



1. Useable reserves are detailed above at paragraph 16 and more detail of unusable reserves can be found in note 27 on pages 67 to 71.

## Group accounts

1. The Council owned or had interests in 5 operational entities as at 31st March 2020:

* Oxford City Housing Limited (OCHL)
* Oxford Direct Services Limited (ODSL)
* Oxford Direct Services Trading Limited (ODSTL)
* Oxford West End Development Limited (OxWED)
* Barton Oxford LLP

Two wholly owned companies became operational on 1st April 2018, Oxford Direct Services Limited and Oxford Direct Services Trading Limited. These two companies are incorporated into the Council’s Group accounts from 2018/19.

The Council’s share in these entities is shown below:

**Wholly Owned**



**Joint Ventures and Total**



1. The Council’s share as at 31st March 2020 was a net asset of £1.424 million compared to a net asset of £0.470 million on 31st March 2019. Key elements of this net position relates to interest owing to the Council on loans that the Council has made to the entities and the dividends from the Oxford Direct Services Companies which were paid for the financial year ending 31st March 2019. No dividends have been declared or paid in respect of the financial year ending 31st March 2020. More detail can be found on pages 99 to 126 of the Statement of Accounts.

# Letter of Representation

1. Attached at Appendix 2 is a draft Letter of Representation which the Committee is asked to approve. This is a letter from the Council’s Section 151 Officer setting out the processes and procedures the Council adopts to ensure that it is in compliance with its statutory requirements and that it has a sufficiently robust control framework to prevent and detect fraud and irregularities. Ernst and Young require this letter before they issue their opinion.

# Financial Implications

1. These are covered within the main body of the report.

# Legal Implications

1. In accordance with the Accounts and Audit Regulations 2015 (as amended), the accounts must be audited, approved and published by 30th November 2020.

# Risk Implications

1. There are no risks associated with the recommendations in this report.

# Communication

1. The Council’s accounts are subject to external audit by Ernst & Young LLP and within the period of audit, from Thursday 18th June 2020 to Wednesday 29th July 2020 between 9.30am and 4.30pm any person could inspect the accounts of the Council for the year ended 31st March 2020 and certain related documents (comprising books, deeds, contracts, bills, vouchers and receipts). They could also make copies of the accounts and documents.
2. During the same period a local government elector for the area of the Council or their representative could make an appointment to ask the auditor questions about the accounts. In addition they could object to the Council’s accounts, asking that the auditor issue a report in the public interest or which is contrary to law (under section 28 of the Local Audit and Accountability Act 2014). Written notice of a proposed objection and the grounds on which it is made must be sent to the auditor at the address provided on the Council’s website.
3. There were no objections lodged.
4. The Audited Statement of Accounts for 2019/20 will be published on the Council’s website after approval along with a notice confirming the conclusion of the audit and alongside the Annual Governance Statement for the year.

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**Background papers: None**